

STATE OF CALIFORNIA  
Budget Change Proposal - Cover Sheet  
DF-46 (REV 08/17)

Fiscal Year 2019-20	Business Unit 0511	Department Government Operations Agency	Priority No. 1
Budget Request Name 0511-097-BCP-2019-GB		Program 0256 – DIGITAL INNOVATION	Subprogram N/A

Budget Request Description  
Establish the Office of Digital Innovation

Budget Request Summary

The Government Operations Agency requests \$36,156,000 (\$33,656,000 General Fund and \$2,500,000 Reimbursements) in 2019-20 and \$14,584,000 (\$9,584,000 General Fund and \$5,000,000 Reimbursements) ongoing beginning in 2020-21 to establish the Office of Digital Innovation within the Government Operations Agency. Funding includes start-up costs, personal services, an innovation fund, and operational costs including 50.0 positions.

Requires Legislation <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project No.      Project Approval Document:      Approval Date:

If proposal affects another department, does other department concur with proposal?      ☐ Yes      ☐ No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Prepared By	Date	Reviewed By	Date
Department Director	Date	Agency Secretary	Date

Department of Finance Use Only

Additional Review: ☐ Capital Outlay    ☐ ITCU    ☐ FSCU    ☐ OSAE    ☐ CALSTARS    ☐ Dept. of Technology

PPBA	Original Signed By Evelyn Suess	Date submitted to the Legislature 1/23/19
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## **Analysis of Problem**

### **A. Budget Request Summary**

The Government Operations Agency (GovOps) requests \$36,156,000 (\$33,656,000 General Fund and \$2,500,000 Reimbursements) in 2019-20 and \$14,584,000 (\$9,584,000 General Fund and \$5,000,000 Reimbursements) ongoing beginning in 2020-21 to establish the Office of Digital Innovation (Office) within GovOps. Funding includes start-up costs, personal services, an innovation fund, and operational costs including 50 positions.

### **B. Background/History**

California must change the way it approaches business process and technology investments to ensure all state government services are efficiently delivered and easily accessed. To this end, the state must transform from a passive governance model that largely responds to individual statutory and policy mandates to actively establishing measurable benchmarks and leading digital service delivery from a programmatic and statewide perspective. The transformation can be accomplished by developing an Office of Digital Innovation with the authority to develop and enforce requirements for departments to assess their service delivery models and underlying business processes from an end-user perspective. The Office will assist departments in reengineering how they deliver services to customers. To expedite this transformation, one-time funding of \$20,000,000 for innovation is being proposed to allow the digital services team to assist departments with the tools and resources necessary to address identified needs.

The transformation of state operations and programs is essential to bringing government closer to the people and building user-friendly state service delivery models. This state investment focuses on modernizing service delivery at all levels where Californians engage with government programs offering digital services, and bringing digital services to those departments currently in need of them.

### **C. State Level Considerations**

Currently, GovOps oversees ten state departments, boards and programs: Department of Human Resources, State Personnel Board, Department of General Services, Franchise Tax Board, Department of Tax and Fee Administration, Department of Technology, California Public Employees' Retirement System, California Teachers' Retirement System, Office of Administrative Law, and the Victim Compensation Board. In addition to its oversight responsibilities, GovOps leads several statewide program innovation initiatives, including Open Data, Web Standards, Open Source, IT Apprenticeship programs as well as improvement and reform initiatives, including Civil Service Reform, Lean Academies, Leadership Academy, and a Performance Improvement effort. The combination of GovOps' expertise regarding the oversight of control agencies, and other departments with statewide roles, and statewide reform and improvement efforts makes it a natural home for an office responsible for implementing a statewide digital service and innovation program—and a home which is stocked with the institutional knowledge needed to optimize the chance for success.

### **D. Justification**

Millions of Californians interact with government services everyday: new residents apply for licenses, students compare financial aid options, and small business owners apply for licenses or pay business taxes. Too often, outdated tools and complex systems make these interactions cumbersome and frustrating. Additionally, manual processes and the lack of digital services often requires citizens to take time off work and go to a physical office to interact directly with government staff.

For instance, no other state department has as many interactions with Californians as the Department of Motor Vehicles (DMV). As recent events have highlighted, DMV has significant customer service challenges. The state is currently conducting an audit of the DMV to identify potential opportunities to improve its business processes and overall program management as well as an information technology assessment of its Motor Voter system. Both the audit and assessment will report findings and recommendations in early spring and the Administration anticipates submission of a formal spring budget proposal. DMV has been taking actions to reduce wait times across the state, but more must be done. DMV is currently soliciting feedback from staff at all levels of its organization to make changes to business processes as well as making upgrades to



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its customer appointment management application and registration, payment, and identification programs. However, DMV must globally reassess all of its operations. It should better use its data to understand and meet customer needs through improved business processes and expanded digital service delivery. As such, DMV will be a prime candidate to advance the work of the GovOps DMV strike team.

Establishing the Office will enhance the usability and reliability of our state's most important services by using business process improvement and leveraging digital innovation, as appropriate, to transform government services.

The Office's core mission is to improve and simplify the digital experience that people and businesses have with their government by:

- Identifying what digital services means to state government;
- Focusing on user needs;
- Prioritizing initiatives;
- Tracking outcomes and tying them back to overall business strategies and outcomes;
- Developing an innovation strategy to set the direction for how government should use emerging technologies;
- Establishing standards to bring the government's digital services in line with leading best practices;
- Identifying common technology patterns that will help us scale services effectively;
- Collaborating with departments to identify and address gaps in their capacity to design, develop, deploy and operate excellent citizen-facing services; and
- Providing accountability to ensure departments see results.

*Innovation Academy.* Sustainable innovation requires a culture of continuous improvement and a thoughtful approach to human change management. The Office will address these needs through training on areas such as continuous process improvement, human-centered design, change management, service design, product management and more. Currently, the state does not provide such interdisciplinary training to its executives. The Office will focus on bringing together these important concepts and teach state leaders how to successfully managing change, assess the needs of their customers, and make data-informed changes to their business processes and program delivery design. This means embracing and allowing disruptions to their own processes—which can typically involve stress and risk—and requires time and persistence to successfully adopt. The proposed innovation academy will be a statewide resource for the ongoing training required to manage risks and stresses involved in the adoption of a culture of continuous improvement. Once established, and in coordination with existing training academies, the training will be mandatory for state supervisors, managers, and executives.

*Additional Information Technology Training.* In coordination with appropriate state departments, the Office will also facilitate additional information technology training for state staff in iterative development methods, such as Agile methodologies and design, to improve successful service delivery with a focus on continuous improvement. The successful adoption of Agile enables entities to align their service delivery with the development and improvement of the information technology resources used to support those processes. Until recently, the state relied on Waterfall development methods, which required projects to be completed in their entirety prior to being released and often locked entities into static business process that would only change due to statutory or policy mandates. Developing information technology resources iteratively allows entities to reduce risk, be more flexible, and adapt those resources to data-driven changes made in the overall business process.

The state has already begun investing in modular procurements and Agile project development (rather than depend on a single vendor for delivery). This iterative and modular methodology when implemented correctly reduces risk because it allows functionality to be tested and released earlier and more often. However, the state's current project managers generally lack expertise in managing these efforts. While the state has



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developed Agile curriculum, more emphasis on training is necessary for state project managers and information technology staff to acclimate to these methods, which have proven successful in the private sector for years. To ensure these methods are used consistently throughout the state, the innovation academy will develop a curriculum that identifies and trains the state's information technology staff in the most effective procurement and project management techniques for achieving and maintaining continuous improvement.

*Innovation Fund.* This proposal includes a \$20 million innovation fund to allow the Office to work on several small-scale demonstration projects with various state entities. The Office will identify which entities would best benefit from their services, such as DMV. After assessing needs or gaps in an entity's service delivery, the Office will develop or assist in developing projects that better meet its customers' needs. This funding allows for flexibility and creativity in addressing these needs from concept to delivery. Information technology and the data it produces change in real-time which requires state entities to change their information technology resources and business processes in real-time if the state is to keep pace with a customer-centric service model. The innovation fund will provide resources to help state entities acquire the information technology goods and services they need in real-time.

GovOps is requesting positions and funding for the minimum reasonable staffing level to create this new Office. The vision for the Office is modeled upon similar programs operating in the federal government. The department will utilize contracted Administrative Services for fiscal services, human resources, and IT support, modeled after the current GovOps structure. Additional operational costs are standard expenses for a new programmatic function and include expenses for operating a unit in separate office space. We note that when the Office is fully implemented, there may be a need to consider and change the organizational structure based on the assessed needs at that time.

### E. Outcomes and Accountability

Measurable outcomes for the Office are difficult to anticipate in advance of becoming operational. GovOps is staffing the unit at the minimum feasible level for implementation, and similarly expects the new process and increased awareness of the Office to result in a growing workload in future years.

The Office will engage departments and stakeholders throughout the state to implement user-centric design, iterative software development, customer feedback loops, and other tools necessary to build a culture of continuous program improvement and 21st Century service delivery methods. Additionally, through its statewide mission, the Office will be uniquely positioned to offer insights into the coordination of service delivery across departments. For instance, the Department of Technology (CDT) currently administers a Digital Innovation Program, which aims to promote and implement processes that maximize operational efficiencies for departments and agencies by leveraging existing data and technology. GovOps will work closely with CDT and other appropriate state departments to coordinate and ensure that duplication of efforts and resources does not occur.

### F. Analysis of All Feasible Alternatives

**Alternative 1: Approve \$36,156,000 in 2019-20 and \$14,584,000 ongoing to establish an Office of Digital Innovation.**

Pro: Enables the state to transform government services and foster a closer working relationship between departments within state government—increasing the likelihood that business problems will be solved in the most efficient way possible and that the solutions will better align with both organizational and strategic direction.

Con: An increased cost to the state.

**Alternative 2: Approve partial funding.**

## **Analysis of Problem**

Pro: Enables the state to transform government services and foster a closer working relationship between departments within state government—increasing the likelihood that business problems will be solved in the most efficient way possible and that the solutions will better align with short term goals.

Con: An increased cost to the state. Limits recruitment potential as well as long term goals.

### **Alternative 3: Deny.**

Pro: No additional costs to the state.

Con: Lack of digital services available to Californians.

## **G. Implementation Plan**

GovOps will make extensive efforts to implement the Office during the first half of 2019-20, with operations to begin early in calendar year 2020. The process of researching and acquiring additional office space in the downtown area and hiring key management positions are priorities.

## **H. Supplemental Information**

Attachment A - Proposed Organizational Chart

## **I. Recommendation**

Approve the GovOps request for \$36,156,000 in 2019-20 and \$14,584,000 ongoing to establish the Office.



# Office of Digital Innovation

